

## Message Text

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15

ACTION EB-11

INFO OCT-01 EA-11 ADP-00 AID-20 CIAE-00 COME-00 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 CIEP-02

LAB-06 SIL-01 OMB-01 AGR-20 TAR-02 INT-08 STR-08

RSR-01 /124 W

----- 034861

R 260240 Z APR 73

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 6610

UNCLAS JAKARTA 4866

E. O. 11652: N/ A

TAGS: EFIN, ID

SUBJ: INVESTMENT INFORMATION FOR FY 1974 FACT BOOK

REFS: A. STATE 075936

B. STATE A-1975, MARCH 6, 1973

1. WE REGRET DELAY IN REPLYING TO REF B DUE TO VERY  
HEAVY WORK LOAD. QUOTED BELOW IS TEXT ON INVESTMENT CLIMATE  
IN INDONESIA ( WHICH ALSO BEING AIRPOUCHED ) . ITS SIZE AND FORMAT ARE  
IN ACCORDANCE WITH REF B.

VERBATIM TEXT:

2. INDONESIA - NOTWITHSTANDING SOME ADMINISTRATIVE DIFFICUL-  
TIES AND REF TAPE, SINCE ALL FOREIGN INVESTMENTS MUST BE  
APPROVED BY THE INDONESIAN GOVERNMENT, THE CLIMATE FOR US IN-  
VESTMENT IN INDONESIA IS DEFINITELY FAVORABLE. THE FOREIGN  
INVESTMENT LAW OF 1967 OFFERS SEVERAL INCENTIVES: TAX  
HOLIDAYS, TARIFF- FREE IMPORTATION OF EQUIPMENT, TARIFF- FREE  
IMPORTATION OF RAW MATERIALS FOR UP TO TWO YEARS, MANAGEMENT  
CONTROL BY THE FOREIGN COMPANY, REPATRIATION OF CAPITAL AND  
DIVIDENDS IN THE ORIGINAL CURRENCY, AND PROTECTION AGAINST  
NATIONALIZATION. FOREIGN INVESTMENT IS PERMITTED IN MOST ECONOMIC  
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SECTORS. HOWEVER, IT IS NOT ALLOWED IN: DEFENSE INDUSTRIES, PUBLIC UTILITIES, NUCLEAR ACTIVITIES, AND MASS-MEDIA. FOR SHIPPING AND AVIATION ONLY JOINT VENTURES ARE PERMITTED. BESIDES THE ABOVE, FOREIGN INVESTMENT IS DISCOURAGED IN CERTAIN MANUFACTURING INDUSTRIES, EITHER BECAUSE THE GOVERNMENT THINKS THAT THERE IS SUFFICIENT PRODUCTION CAPACITY, OR THE SECTORS ARE ALREADY ADEQUATELY COVERED BY INDONESIAN COMPANIES. HOWEVER, THE GOVERNMENT IS WILLING TO CONSIDER ADDITIONAL FOREIGN INVESTMENT IN THESE PROPOSALS SECTORS ON THEIR MERITS.

3. THE INDONESIAN GOVERNMENT HAS ADOPTED A PRACTICAL ATTITUDE REGARDING INVESTMENTS. SUCH ELEMENTS AS RAW MATERIALS AND INTERMEDIATE INPUTS, PROCUREMENT POLICIES, EXPORT GOALS, LABOR, ARE USUALLY NEGOTIATED AT THE TIME OF THE DISCUSSION OF THE INVESTMENT AGREEMENTS. UP TO NOW, THE GOVERNMENT HAS BEEN LIBERAL IN ITS INTERPRETATION OF THESE ELEMENTS. HOWEVER, THE GOVERNMENT IS ANXIOUS TO MAXIMIZE EMPLOYMENT OF INDONESIANS AND USUALLY REQUIRES THAT A TRAINING PROGRAM BE INSTITUTED BY THE FOREIGN INVESTOR AND THE GRADUAL REPLACEMENT OF EXPATRIATES TO THE EXTENT POSSIBLE.

4. MOST OF THE INDONESIAN LEADERS FROM PRESIDENT SUHARTO DOWN HAVE REPEATEDLY STATED PUBLICLY THAT FOREIGN INVESTMENTS HAVE A ROLE TO PLAY IN THE DEVELOPMENT OF INDONESIA, AND ECONOMIC DEVELOPMENT IS THE CORNERSTONE OF THE SUHARTO ADMINISTRATION POLICY. HOWEVER, DEFICIENCIES IN THE GOVERNMENT STRUCTURE ( WHICH ARE A SUBJECT OF CONCERN TO THE GOVERNMENT ITSELF AS ILLUSTRATED BY A CABINET POST OF MINISTER OF ADMINISTRATIVE REFORM) DO IMPOSE A BURDEN OF TIME AND PATIENCE ON THE POTENTIAL FOREIGN INVESTOR.

5. IN ORDER TO EXPAND EMPLOYMENT OPPORTUNITIES, THE GOVERNMENT CURRENTLY FAVORS LABOR- INTENSIVE PROJECTS. HOWEVER, THIS DOES NOT INTERFERE WITH APPROVAL OF OTHERWISE SOUND FOREIGN INVESTMENTS  
CO  
N-  
SIDERED AS HELPFUL TO INDONESIA.

6. OPIC HAS AN ACTIVE POLITICAL RISK INSURANCE PROGRAM IN INDONESIA.

7. THE UNITED STATES IS BY FAR THE LARGEST FOREIGN INVESTOR IN  
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INDONESIA. ITS POSITION IN THE RAPIDLY- EXPANDING PETROLEUM SECTOR IS PREDOMINANT. END VERBATIM TEXT.  
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\*\*\* Current Handling Restrictions \*\*\* n/a

\*\*\* Current Classification \*\*\* UNCLASSIFIED

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